

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING THURSDAY, APRIL 15, 1993

Chairman Graham called the meeting to order at 1:30 p.m., at the Everett Pacific Hotel, Everett, Washington.

MEMBERS PRESENT: **PATRICK GRAHAM**, Chairman; Commissioners **THOMAS KEEFE**, **ROBERT TULL**, **ARDITH DIVINE** and **WANDA MOSBARGER**.

OTHERS PRESENT: **FRANK MILLER**, Director; **SHARON TOLTON**, Special Assistant to the Director; **BEN BISHOP**, Assistant Director; **JULI ANDERSON**, Assistant Director; **CREED CLEMENT**, Business Office Manager; **JONATHAN McCOY**, Asst. Attorney General; **SUSAN YEAGER**, Executive Secretary.

STAFF REPORTS

Frank Miller asked Chairman Graham to reschedule staff reports and go to approvals and review of Friday's agenda now, so that Commissioner Tull (who has not arrived yet) can be present for the overview of Class III implementation request for employees. **Chairman Graham** agreed.

LICENSES, CHANGES, WITHDRAWALS and TRIBAL CERTIFICATIONS

Commissioner Keefe moved to adopt; **Commissioner Mosbarger** seconded; motion carried.

REVIEW OF FRIDAY'S AGENDA

Sharon Tolton said there are a number of staff reports, including a legislative update, an Indian negotiations update, and a couple of short presentations by the Snohomish County Sheriff and the Tulalip Tribes to let the Commission know how it's been going so far since their Class III casino has been operating since July 1992, under terms of the compact with the state of Washington. Under Item 3, Rules, **Ms. Tolton** said there are three rules up for final action. One pertaining to card rooms and two to punchboards and pull tabs. Under Section B, there are fourteen rules up for discussion only with final action in May. And under Item C, there are eight rules being presented for the first time for discussion and possible filing. She said the only issue under Future Discussion Topics will be addressed by Director Miller regarding distributors and price structure.

GENERAL DISCUSSION

Director Miller introduced Assistant Director Juli Anderson to give an overview of the FTE request packet staff has submitted to the commissioners. She will give just a summary on Friday, because there is going to be a rather lengthy meeting tomorrow with the rules. **Chairman Graham** said okay.

Ms. Anderson said she will go through the numbers on all the charts seen here on the overhead projector. She said the agency's projected fund balance through June 30, 1993, is at approximately \$2.9 million. That amount is reached from the beginning balance at the beginning of the biennium of about \$5 million, and then the infamous legislative confiscation of \$1 million in December 1991. Actual revenues were \$6.4 million in 1992, and projected revenues of about \$6.9 in 1993. The actual expenditures in fiscal year 1992 were \$6.7 million. Projections are at \$7.8 million in this current biennium.

Ms. Anderson said the next graph shows exactly how much cash was in the bank March 31, 1993. It went through the transfer, as it's politely called on these slides, of the \$1 million, and shows that our actual fund balance March 31 was \$2.6 million, which leaves a quarter of revenue and expenditures left to go through. The Commission's expenditures and the revenues have been pretty constant and maintained a really steady pictorial graph, except for the giant dip in 12/91 and that's where the \$1 million came out, and then the graph has been working on a gradual decline for the fund balance at the direction of the commissioners.

The impact of Class III gaming has been revised since last month. There are some revised numbers and dates from the tribes that have compacts, and rather than a 28 month phase-in, they've cut down to 12 months. Projections are for the 12-month phase-in, six Class III facilities, and since the last commission meeting, two more compacts have been tentatively agreed to, although no legislative hearings have been set yet. The numbers are based on approximately 170 certified staff members per casino, and staff is looking at a 20 percent rejection rate in the applications for certification, and a 25 percent turn-over rate, which means about double the license applications per casino to get an adequate number of staff. At the Tulalip casino, currently with their Class II that they've also asked for help on, in the certification process. The total is over 500 applications at this point.

Ms. Anderson said approximately two manufacturers or financiers or management companies will be run per casino operation, and in the first six months of the operation of each casino, there will be a staff member assigned to the facility approximately 60 hours per week. The operations are open 80 hours a week. After the first six months, it will drop to about 50 hours per week. It takes about ten hours of staff time at headquarters to keep things moving in those areas, too. To get to the number of hours available, start out with the normal 2088 hours that everybody's got in a work year, and then remove work breaks, holidays and an estimated sick leave and estimated annual leave break-out estimated on our current use over the last biennium. It came down to 1756 hours; and then about 203 hours in necessary training and development, routine office work and nonbillable hours, which comes down to about 1553 billable hours per full time equivalent.

Ms. Anderson said, in the status of the compact, the Tulalip tribe has been active since the July 1992 and they'll be coming in tomorrow to address the Commission a bit on their experience. The Nooksack Tribe is opening its casino tomorrow (April 16). The Swinomish, Chehalis, Lower Elwha and Upper Skagit have all been approved by the Department of the Interior and those projected dates are the dates that they have indicated they will begin having licensees appear in Gambling Commission offices for processing. Those licensees could be the manufacturers, or the table workers, or pit bosses.

Ms. Anderson said the Muckleshoot compact is pending at the Department of the Interior. They're anticipating, even without the complete approval from the Department of Interior, that they will have licenses on our desks for process starting in June, which is the last month of the agency's fiscal year. The Jamestown S'Klallam is projected to open about a year from now. The Quileute and Squaxin have come to tentative agreements and through the local and state caucus, and they're both going on through the legislature for hearing, and then they'll come before the commission for hearing.

For the full-time equivalent request, the six Class III facilities with completed compacts were taken into account. Each compact will take at least one full-time equivalent in the licensing area to do the licensing certification, background checks and investigative work in those areas. There will be approximately 10.2 full time equivalents, which is portions of different individuals spending different hours in the casino operations, which includes field operations management, field operations floor time, and field operations administrative support time.

Ms. Anderson said that, in the management services area, four positions for full time equivalents will be needed, because the increased workload absorbed so far has pushed staff right over in those areas. Due to the increase in Indian gaming, there are increased needs for hiring, processing payroll, processing the billings for the tribal compacts, just to get the revenue in. The first month there, June 1993, is the end of the present biennium. This paints a rather distorted picture, because the revenue there won't be expended until probably July 1993 in the licensing area. And the numbers start to level out as time goes on. These are all revenues that come from the tribal organizations or their licensees, prospective employees, or prospective management companies.

Ms. Anderson said the next chart shows, in graph form, where there are blips and then flatten out. This is still just estimated on the six Class IIIs on board now. Then, going on to the Quileute and Squaxin compacts with tentative agreements, there will be approximately two full time equivalents in the licensing area to process licenses, and in field operations, 3.7 full time equivalents and, at this point, staff can probably absorb the additional paperwork and work-flow in the human resources and computer services and general business operations. In a similar estimated revenue chart, there are large revenues by 6/94 and the expenditures coming in later, because these two tribes plan on having licensing begin around the end of the next fiscal year, and then expenditures will be meeting out the licenses shortly thereafter.

Creed Clement said it's also important to note that there are a lot of one-time start-up costs involved in bringing the staff on. **Ms. Anderson** asked if there were any questions; **Director Miller** said that the packet contains a lot more information than was just explained and this was to bring back some of the things discussed last May and June on the past budget; **Commissioner Mosbarger** asked why he's requesting new people when there are ten people who are not hired yet.

Ms. Anderson said some of those positions are unfunded. People have been reclassified or the position has just not been funded, but the positions still show up on the condition report and staff felt it necessary to show those on this. She said the agency doesn't have authorization to fill up to 135 positions. **Director Miller** said it's at 129 right now, and there are also some positions that are coming off from last year's budget that go into different areas of the agency and will be filled next year that you've already approved. The program being discussed now is strictly Class III.

Commissioner Tull asked Director Miller if there is any question that the compacts give the agency the ongoing ability to recover all expenses. **Director Miller** said there's no question, and that the agency is billing now. He said staff is working closely with the tribe and the tribe seems to be quite pleased. The estimate on costs for each casino is in regulatory time, and the term "sixty hours per week, per casino," is not just floor time, but also regulatory time, which includes travel to and from, supervisory time of those people, reviewing the reports that come through, meetings, etc. There's a dispute mechanism in the event the agency doesn't document what it's doing. The system put into place is working quite well. The costs are estimated to be about \$115,000 per year per casino for regulatory billing plus license fees. In the packet, it shows that last year \$30,000 was estimated in fees, while the applications received so far number more than 500 applications for Tulalip alone. Staff is using the figure of 340 here for many casinos, and that number still could be low. He said he wants to point out for Commissioner Keefe's sake, if the other activities decline, new people will not be put on staff. The goal is not to just build this, but to do the job that the agency has committed to do.

Commissioner Tull asked what will happen if non-Class III activities should slow up for any number of reasons. **Director Miller** said he would adjust accordingly through reduction in force (RIF) if necessary. He said these are small operations, with a potential \$400, \$500, to \$600 million a year in handle for these facilities, which is almost equal to all gambling in the state now.

Chairman Graham asked for a ball-park figure of the number of people that have applications going through the licensing section per casino. **Director Miller** said there's 350 to 400 or more for a 23-table operation. **Mr. Bishop** said that's about right, and to plan on 250. The Tulalips have so far exceeded 500.

Ms. Tolton said the Tulalip Tribe has 600 people on the payroll as a result of the facility, but Commission staff has processed 500 applications, and that's just with 23 tables. There will be expansion, and the Gambling Commission is doing Class II for them also.

Commissioner Tull asked if there's going to be a drop-off in the reapplication after the initial screening and licensing, since the same kind of scrutiny isn't needed as when the person was first licensed. **Mr. Bishop** said if his request was based on pure, first-time applications, he'd need eleven FTEs, but calculated at only 50 percent on the renewal cycle as it takes on the initial cycle. His six FTEs asked for take that into account.

Commissioner Keefe asked if this is to double the work of these people on their initial application. **Director Miller** said no. **Mr. Bishop** said no, that he will be able to do some scheduling and it takes some backlog. **Director Miller** said the initial applications will not all come at once, but will be spread out over time. To help us get the initial surplus, it's had to be planned out. This is the final phase for this number of casinos. **Mr. Bishop** said that if the six casinos were to open at one time, he would need eleven FTEs, but they're not, so he cut back on his request to a little over half of that and be able to phase them in over time, and then have them on a renewal doing half the work.

Commissioner Keefe asked how many hours it takes to process an initial, individual dealer application; **Mr. Bishop** said it averages out to approximately six hours, and a reapplication takes about three hours. And it takes that long to review and do a police check to see if it's current. **Commissioner Keefe** asked why, on a reapplication, if a person has already had an exhaustive search, and he comes in and certifies that he has not committed any offenses, that he's had no criminal charges filed against him, then why should it take so long.

Commissioner Tull said it's like an annual physical, it takes a certain amount of time each year to take your pulse and listen to your heart. Certain things have to be redone each year.

Commissioner Mosbarger asked if an applicant lived in six different places, must staff contact six different police departments over a ten-year period. And for renewal, if they've lived in the same place for that year, then staff only has to go to one police department.

Mr. Bishop said yes, and then staff asks if anything has changed. **Director Miller** said these are averages, and it may be eight hours. There are a lot of people from out of state and people who have lived in many places, which takes longer. He said he agrees with Ben on the card room Class III employees, and that it's much more thorough, because they're handling the money, so it's more difficult background checking someone with a police check in the state of Washington.

Commissioner Tull asked Director Miller about the dispute resolution method. If the tribes object to billings on follow-up applications, staff would have to justify and support the billings. **Director Miller** said that's correct; **Mr. Bishop** said staff has even had to increase the license fee; **Director Miller** said that, on the license fee, the agency has pretty good discretion. The charge is \$250 for out of state. **Mr. Bishop** said that anyone coming in with an out-of-state address has to have fingerprints run, which costs \$250; \$200 is the normal. **Director Miller** said card room employees are \$150, which may be going up because the agency's costs have gone up for fingerprinting per person, out-of-state takes a considerable amount of time to trace.

Commissioner Tull asked if it turns out that Commissioner Keefe's projection should be accurate, namely the efficiency increases over a period of years, what would happen.

Director Miller said staff estimated a figure of 170 employees with 25 percent turnover, 20 percent denial rate, which comes to about 250 to 300 employees. During the year, there are continual applications coming in with people always trying to get employed. There are going to be ten casinos in the state with a work force of approximately 3000 people. This proposal includes a time continuum so enough people could be put on to do the job now, including those added for Nooksack and Tulalip, the additional people in November to cover the management companies that are coming in. There's no anticipated decline in non-Class III gaming. One area that may see a decline is card rooms, which was discussed this morning.

Mr. Bishop said that, if eleven people are added to the licensing division, then next year the agency may have to RIF five and so, which is not the best way to go. Staff decided to work with backlogs for a little, and hope to absorb that, and also bring on maybe one of the other casinos a couple of months early; and that way take care of the peaks and valleys without having to go through a RIF.

Chairman Graham asked about hiring temporary help. **Director Miller** said temporaries have been brought on before on an emergency basis from the state pool. There are some temporary people on right now in a

support capacity, but he would not want to put people doing investigations from a temporary nature, because it's too much of a specialized area.

Commissioner Tull said if they can shift existing Commission employees over, then bring in temporaries in less sensitive areas. **Director Miller** yes, in the last year and a half, there have been a number of changes, because the agency faces so many challenges, and during the next upcoming year, if people have to be pulled in from the field offices, etc., to assist, that will be done instead of continually putting new people on staff. The Class III program is a commitment and must be treated independently, until such time as it's up and running, and then cut-backs may be possible.

Chairman Graham said he went back to some old records from 1988, and saw there were 88 people employed. Now there are 125 according to this report. To show how things have changed, he said the only section that has gone down in staff is the Director's office, which has a staff of two and did have a staff of six. The division known as A/D Licensing Operation has gone from 22 to 37. He said the field operation has gone down, also; is now 9, was 10. Field operations have increased -- in Eastern Washington, there are now have 17 where there were 13. In the combined King County and Northwest region went from 14 to 22, and the Southwest region went from 16 to 20, and then in the Management Services, it went from 7 to 20.

Chairman Graham said these figures here don't jive with two things that he was looking at; 1) down under Financial Investigations, Special Agents 3, it says seven, and in the newsletter, it says eight. Also, in Special Investigation, the report says there are five people, in the phone book it says six. **Director Miller** said that list includes clerical.

Ms. Anderson on the personnel table before that, it gives the most recent report. One person was not yet transferred who was picked up on the phone list. **Director Miller** asked the chairman if there is the concern that staff is somehow not giving accurate information to the Commissioners. **Chairman Graham** said no, that these are just figures and he started looking at them. **Director Miller** said that staff lists change continually and that people come and go.

Chairman Graham said there are 129 now on the payroll and there were 125. Looking back at licensees, from 1989, the report says the growth of licensees in all gambling activities only increased 13 percent. The biggest percentage growth was, punchboards/pull-tabs, 19 percent. He noted there is a financial manager listed; **Director Miller** said that was there prior to this administration. **Creed Clement** said the financial manager position is unfunded, but is one of those positions referred to earlier. It's still part of the position pool listing, but doesn't have any funding associated with it.

Chairman Graham said that, now, there is one employee for every 45.5 licensees. **Ms. Anderson** asked if that includes Class IIIs. **Director Miller** told the Chairman that's probably an accurate figure, but he'd like to point a few things to help explain. From 1985 to 1993, gross receipts combined -- not including Class III gambling -- went up 135 percent. In 1988, there was \$460 million, and 1993 will be up to close to \$750 million, just the last five years. If gross receipts are compared with staffing, he said, in 1988 there were almost two -- 1.19 FTEs per million dollars of gross receipts. Today it's down to .17, so the actual number of FTEs dollar volume of gambling was actually reduced. Commercial stimulant

licensees has always been an area requiring a lot of staff time. Commercial stimulant licensees in 1988 were 1600, at the end of 1992 they were close to 2000, that's almost a 25 percent increase right there alone, in taverns and restaurants, which is punchboards and pull tabs. The reason there is a decline in licensees is because fund raising events have gone down dramatically. Fund raising events and raffles were an area that have not historically required a lot of time. Taverns have grown, punchboards and pull tabs licensees have grown, City of Seattle came on board. The packet shows all the new programs that have occurred in the last five years, but more importantly the growth. The number of licensees per employee may come out to 45, but the total amount of gambling in the state of Washington was close to \$400 million and is now going to be close to (with Class III) \$800 million, so it's pretty much doubled.

Commissioner Tull said the thought that's prompted by the Chairman's analysis is the review on the Class III program, which makes it really pretty easy for a commissioner to see what activities require what personnel and the funding sources for it. **Commissioner Tull** said he feels pretty comfortable with the projections both

on revenues and expenses. From a historical standpoint, he said what probably is driving some of the Chairman's concerns is that up until now the agency has never gone through, all at once, this kind of fiscal and operational analysis. He said it's a different issue than the Class III program. As the Class III program settles down, both in terms of workload and the agency hiring, what the agency has to be doing is looking at operations and regulating, and verify conformance with those regulations, and what type of staffing does that take. With several new commissioner's on board, it may be time to revisit how the agency staffs in the other areas and look at the questions of efficiencies of relicensing versus start-up types and go into it. If adjustments became necessary, the Commission would still be in the staffing-up phase on Class III, because that will continue out over many, many months. Adjustments can be made through transfer of people within the agency.

Chairman Graham said that does address his concerns. He said there are some things that could be changed to ease the workload now, excluding the Class III situation. Earlier today, during the card room and the punchboard/pull tab licensee meetings, they were talking about quarterly reports, and that each one of these reports that comes to the office is different from the federal government, and every one is looked at. **Director Miller** said yes, and all the data is put into it. That is what the commissioners receive as a quarterly report on a quarterly basis.

Chairman Graham asked if these reports could be done every six months instead of a quarterly. **Director Miller** said that is a good question and an issue that is being looked at as part of the final phase of reorganization. Priorities are being looked at differently in 1993 than in 1973. Staff will be looking at record-keeping, and if things can be streamlined and still maintain the agency's integrity and mission, and also save manpower, it will be changed. He said he welcomes the commissioners' input.

Commissioner Tull asked about beefing up the audit category. **Director Miller** said yes, and that's going to take five years. Charitable first, and then commercial licensees.

Director Miller said the goal is to have dual-trained employees. Three to four years from now, the agency will have the one type of agent who can do all the types of work, including audits, including inspections necessary, because gambling is dollars, gambling is numbers. **Commissioner Divine** asked if, when an audit is done now, is it done on a quarterly basis. **Director Miller** said it depends on if it can be done on a short-term. **Commissioner Divine** asked if an audit is done when staff sees a discrepancy. **Director Miller** said audits don't occur at all times. Over the years, some of the licensees would be audited once every three, four, five, seven, ten years. Certain discrepancies trigger that maybe there is a problem, so staff goes out and tries to resolve the problem. Those programs are now being worked on, and they're being redeveloped to make them more efficient. In looking at prioritizing, one is making sure the money gets to the charities, working with those organizations, protecting them from certain employees; that's critical. It's not as critical working with a bartender to protect him from his employee. The agency doesn't have the personnel to do everything. **Director Miller** said, in the area of commercial stimulant, maybe the agency is spending too much time with these quarterly reports. There are not many in violation anymore. There are many areas to look at, and the whole administration would welcome the opportunity to meet with the commissioners to discuss these issues.

Commissioner Keefe said he has a philosophic problem in that the 1973 act was set up originally to provide a certain type of gambling and a limited nature that was more for amusement rather than profit, and it specifically forbade and banned, as a matter of fact, professional gambling. He feels that the Indian Act come in and its whole purpose and aim is for profit, and it is professional gambling. **Director Miller** said he doesn't agree with that. **Commissioner Keefe** said the Act itself says it's for the benefit of making money so that they can fund various enterprises on the reservation. **Director Miller** said that he believes "for profit" refers to the owner, not the player, and that it's still social gaming in nature for the player.

Commissioner Keefe said there is an inconsistent position in the agency's participation and, theoretically, in policing the Indian gambling, because there are two different perspectives. He said he thinks the agency has drafted some very fine compacts that are ideal with the Indians, and he said the basic proposition of screening the personnel that are going to be licensed to operate in the casino and so forth, in the casinos, is a very salutatory situation. But he thinks that some place along the line, the Commission is missing its main objective, which is to provide services for the licensees that are enumerated under the 1973 Act itself.

Commissioner Keefe said it causes confusion, and perhaps, someplace along the line, the Commission should be looking at an overall perspective in the future and perhaps even a recommendation to the Legislature that they set up some other type of agency -- a policing agency -- for checking the tribal casinos themselves.

Commissioner Mosbarger said she has a problem with that, because a bingo parlor or a tavern is in gambling for profit; they're all in it for profit and that's what they're there for.

Commissioner Keefe said he can only refer to the enabling act itself which says that the primary responsibility is to ensure that such activities are for "social pastimes are more for amusement rather than for profit." And that's the objective the act.

Director Miller said he agrees with that, but said he sees profit referring to the player rather than the owner. He said the Indian gaming is consistent with that, although they're going to make a lot of money. The scope of the gaming, the limit of tables, the limit in wagers is consistent that policy, at least, that's how the agency tried to negotiate it. It's come a long way from 1973, there's no doubt about it.

Commissioner Tull asked if bingo probably produces a better return on investment than casinos. **Director Miller** said not necessarily, but some of the bingo halls are doing quite, quite well, and the casinos will do very good. **Chairman Graham** asked if, at the present time, does the agency have a person or persons working at the Tulalip 60 hours per week as is being proposed now. **Ms. Tolton** said no, they were probably there initially 60 hours a week during the first six months and she would guess, based on last quarter's billing to the tribe, that it's at around 40 or 50 now. **Chairman Graham** asked what they do they during this time. **Ms. Tolton** pointed out that 40 or 50 hours does not mean a special agent walking the floor of this casino. **Director Miller** said that includes everything associated with that casino.

Commissioner Tull said he wants to make sure to proceed with just a little bit of caution here on what staff does and how they're doing it. It should be revealed to Chairman Graham at any time, but it may not be something for public discussion.

Director Miller said they work closely with the tribal gaming agency, they monitor operations, there is surveillance, there are joint investigations going on with certain employees. These operations run millions of dollars through, which is far greater than anything in the state, and that's why a presence is necessary. Three people per casino is the program. That figure includes all licensing time, investigation time, supervisory time, staff time, clerical time, and driving time all added up. Actual regulatory time is 1.5 per casino, which is 60 hours, down to 50 or 40, and there will be some places that may be higher and some that may be lower. When a report is done, the supervisor in the office has to review it, there are meetings, and discussions on what to look at. Soon there will be a complete operations audit to gear up for the next phase of compact. The agency is still learning and has learned a lot from Tulalip.

Commissioner Keefe asked about the Tulalips giving two percent of the net to local law enforcement, and how much has been contributed to date. **Director Miller** said that will not be payable until after the first year of operation, and it's estimated to be somewhere around \$200-\$300,000.

Commissioner Keefe asked about the six different groups referred to in the compact where it says, "the tribal gaming agency shall have the investigative authority, the tribal law enforcement group, the county sheriff, law enforcement agencies cross-deputized by the tribal law enforcement agency," and then fifth, the Washington State Patrol, and sixth state gaming agency shall have the investigative powers. **Director Miller** said that's for crimes. **Commissioner Keefe** asked what the Snohomish County Sheriff is doing about this. **Director Miller** said their primary role is for criminal jurisdiction, and that "investigative authority" is under law enforcement authority in the compact.

Commissioner Keefe asked if the director agrees that the primary responsibility for the on-site regulation control and security of the gaming operation authorized by the compact is the tribal gaming agency and the tribal law enforcement agency. **Director Miller** said yes, he agrees with that. They don't have a law enforcement agency in Tulalip, though, that's the difference, but the agency works with them. **Commissioner Keefe**

asked why doesn't the Tribe get one; **Director Miller** said he can ask them tonight, and that they have a relationship with the Snohomish County Sheriff and work very closely with them. He said the Tribe is not complaining about that contribution and they want the services.

Chairman Graham reminded everyone that at 2:30 p.m., there are formal reviews, starting with Sno-King and then followed by Seattle Junior Hockey. He called for a five-minute recess, so that Sno-King Amateur Hockey representatives can be prepared and then go back into session and take up the other subject later.

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FORMAL REVIEWS

2:30 p.m.

SNO KING AMATEUR HOCKEY ASSOCIATION

Kirkland

Jim McTaggart, Executive Director, introduced members present: Mr. Bill Pettit, president; Ian Beverage, vice president; Cheryl Haas, director; Beth Gibson, director; Chuck Whitney, director; Linda Kragh, controller; Jean Johnson, secretary/treasurer; and Lana Hoy, snack bar manager; and Bill DeMello, primary bingo manager. He then gave his presentation.

Mr. McTaggart said Sno-King Amateur Hockey Association was formed in 1965 by a group of dedicated volunteers who loved kids and the game of hockey. There have been many successes and challenges since our inception 27 years ago. Spurred by the success of the Seattle Totems Hockey Club, enthusiasm was on the upswing, and Sno-King membership increased steadily through the 1970s with as many as 500 players ages 5 through 16 participating in the program. In the early 1980s, some dramatic changes occurred. With the closure of several rinks in the area, the demand for ice time was increased on the remaining facilities. As the demand for ice increased, and with price increases came enrollment decline. In 1983, enrollment had declined to fewer than 100 players. Their bingo game, which has been in operation for many years, was assisted by Seattle Junior Hockey and relocated to a new facility. Since that time, through careful management, the bingo game continues to produce the bulk of funding that the hockey organization needs to make the sport accessible to anyone who wishes to participate.

Mr. McTaggart said that, during the mid 1980s, the financial stability provided by bingo enabled Sno-King Amateur Hockey Association numbers to grow. By the late 80s and early 90s, it was apparent the future of Sno-King Hockey Association, and hockey in general, was in jeopardy for the same reasons it had fallen to in the early 80s; the lack of facilities and increasing ice costs. They felt there would be a gradual leveling off of bingo income, due to changing market conditions and new competition coming into the area.

(Slide presentation) Mr. McTaggart referred to a chart that showed a decrease in transfers to the association. He said this was caused partly by the market area changing with the new major game opening up. They ran into some payout difficulties, and actually had a general decline in revenue for the next two years. He said they're projecting some growth this year. Their inclination is that the market conditions that exists have been adapted to and they anticipate some growth in income from bingo over the next two years.

Mr. McTaggart said that, in 1990, an eight-year budget projection prepared comparing the ice cost of Sno-King Amateur 1990 schedule and the study showed that total costs from 1990 to 1998 would be in excess of \$3,486,000. They paid in the 89-90 year, \$325,000 in the first three years of that eight year projection and, with prices steadily increasing, something dramatic had to be done. He said they considered building their own rink and had a building fund established for that purpose. They had nothing close to the more than \$2 million it would require to build an ice rink. They found a grocery store that could, with some conversion, be turned into an ice rink. The owner of the facility was prepared to sell Sno-King the building and carry the financing, and Pacific First Federal Bank was willing to loan Sno-King enough money to convert the grocery store to an ice rink. In August of 1990, the papers were signed to purchase the building.

Mr. McTaggart said that some modification was needed on the facility, and one of the most dramatic modifications was raising the roof structure over top of the ice surface and removing pillars to develop a clear-span facility. The entire membership got behind the plan, and the majority of the demolition work was done by volunteers. There was some 300 yards of sand that had to be brought into the facility and put into the rink floor and was all brought in by wheelbarrow and leveled by hand. The majority of that work was done by volunteers. Virtually anything that could be done through volunteer work was performed that way in order to keep costs in line with the kind of money available to spend.

Mr. McTaggart said the group is very happy the way the rink turned out, that it's been a tremendous bonus to the program, and the other shop owners in the center are very pleased with the results as traffic has steadily increased in that area. He showed a slide of the decrease in ice cost due to having their own facility. Current projections this year are still going to fall short of what was paid back in the 89/90 year for a smaller program, so from the standpoint of a financial aspect, they are very pleased with the results.

Another goal of the project was to increase membership, and **Mr. McTaggart** said they were successful in that venture as well. There was a slight decline in the 90/91 season because when it became known that they were going to pursue their own ice rink, one of the existing facilities they leased ice from, approached them and said if they were not prepared to sign a long-term lease that they would not sell them any ice. It was difficult to carry the bulk of ice out of that facility, so through the assistance of the City of Seattle and the Seattle Center Arena, they were able to put together somewhat of a modified schedule.

Mr. McTaggart said in January 1991, Kings Gate Arena was granted a temporary occupancy. At that time, they introduced a new level of membership called the Associate Member. This is a non-voting member, who does not wish to participate in the program, but wishes to participate in the other programs that Kings Gate Arena has to offer the community, such as "learn to skate" programs, a home-school group that comes in and uses our facility as an athletic facility, "learn to play hockey" programs, adult drop-in hockey and adult figure skating programs. Once they got the rink established, the membership is now at 470 members and 135 associate members, for a membership total of 605. Each of these 470 individuals are children in the program. Each of the players are given at least two ice sessions a week, at least one hour in length. They're using all of the available prime-time ice at Kings Gate Arena, which is between 5:30 and 10:30 p.m. Monday through Friday, and 6:00 a.m. to 9:00 p.m. Saturdays and Sundays, as well as renting 18.25 hours of ice a week from Highland Ice Arena through the months of September through the end of March. In addition to that, **Mr. McTaggart** said USA Hockey has come out with some age changes for next year to increase membership at the upper age levels, which will put even more pressure on their ice schedule and will force them to try and find even more available ice to expand the program.

The next graph shows what expenses are compared to income. **Mr. McTaggart** said that, in the 89/90 year, they were heading into some trouble with expenses exceeding income. With the introduction of Kings Gate Arena, there is a much more favorable result. This is a comparison based on that eight-year study, without Kings Gate Arena compared to income. He said the trouble they had in the 89/90 year just perpetuates itself over the next three years with expenses rising out of proportion to income. It would be very difficult to continue based on that type of a scenario, and he said it's important to look at these comparisons as they are worthwhile in evaluating what could have happened in the past to prohibit growth. In the Puget Sound area, prior to 1990 there were only three rinks in this entire area: the Lynnwood Sno-King Ice Arena, the Highland Ice Arena in the north section, and then in the south, Sprinker Ice Arena in Spanaway. In 1990, Kings Gate Arena was opened on the east side, and that's the only facility currently on the east side. Then this last fall, the Puget Sound Hockey Center was opened, which was in Tacoma, and Seattle Junior is planning to build their rink up north.

Mr. McTaggart said that the main inhibitor of program growth is the lack of facilities. Their intention is to expand the program to the level that existing facilities will allow, and they'd like to be able to set some money aside to finish off the projects that still left undone at Kings Gate Arena, and they'd also like to set some money aside for a future rink, because they believe there will be tremendous program growth once Seattle Junior's rink is completed, and the next logical location for an ice rink will be in the south, probably around the Kent area. Then, eventually a facility in West Seattle, and thereby encompassing the Puget Sound area and really see hockey take off in the area.

Mr. McTaggart said their future plans are for continued expansion, which takes a lot of money, so they're working toward diversifying their funding base and taking the pressure off of the bingo operation. Some of the things to pursue in the future are different ideas to become involved in to produce more income.

Bill Pettit gave some information on managing growth and how Sno-King Hockey Association runs as an organization today. The association has a volunteer board of directors elected annually by the membership on staggered, two-year terms, so there is continuity at the board level. In addition, the association annually elects officers, including the president, together with the vice president's position, which Ian Beverage fills. The real source of continuity is the executive director's position, which he said Jim McTaggart does an excellent job in filling. **Mr. Pettit** said one of the strengths of Sno-King and one of the factors that has allowed them to manage this growth has been the diversity of the board. Some of those members are here today and they represent people in the financial area from the assistant director of administration at Harborview Medical Clinic, as well as a number of directors who own and operate their own businesses.

Chuck Whitney gave an overview of the finance committee structure of Sno-King Hockey. Currently, there are about six committees, one of which is the finance committee. There are three board members on the finance committee as well as Jim McTaggart, the executive director, and Linda Kragh, the Sno-King controller. The group meets monthly to review the financial statements for all three of the activities at Sno-King, the bingo operation, the hockey program, and the Kings Gate Ice Arena.

Mr. Whitney said the finance committee has also been heavily involved in the upgrading of the Sno-King operation from a manual accounting system to a computerized financial accounting system. He said a lot of the success of that program is contributed to Linda Kragh, the controller, who put in a lot of time to make it successful. The finance committee members annually provide technical assistance to Jim and his staff in the preparation of our annual operating budget. He said that all the committee members are very professional, they all have a very high level of commitment to the mission and the values of Sno-King Amateur Hockey association, which is very good, considering that they are all volunteers.

Cheryl Haas, charity committee chairman, said she's served in this capacity for the past two years. The charity committee receives and reviews all of the requests for charitable contributions that come to the association, and makes recommendations to the board of directors suggesting appropriate charitable contributions. She said they look for organizations or causes that benefit children, and for groups of children rather than individuals. They also look for organizations that benefit disadvantaged children, whether they be disadvantaged by their socioeconomic status or a physical or mental handicap or by their familial status.

Ms. Haas said the committee consists of the executive director, the board members, and members at large, as appointed by the president. The appointments are for one year and many of them are continuing beyond that time. At each of the bingo sessions, the proceeds of a speed-bingo game at each session go to a designated charity. Some of the charities recently donated to are the March of Dimes; Project DARE, a drug education program in many of our schools; the Child Source, which is a residential treatment center for children who are unable to live at home with their families; the Eastside Sexual Assault Center, which provides a shelter for women and children of abuse; to the Strand Helpers, which works with the homeless, including homeless children; the Easter Seals; the Family Emergency Fund; the Salvation Army; the Sunshine Physically Handicapped Foundation, which provides a summer camp experience for physically handicapped children; and to the Kirkland Food Bank.

Commissioner Tull asked if the committee deals with requests for financial assistance for kids going to play hockey. **Cheryl Haas** said no, the charity committee does not directly deal with those requests. The administration does have a fund to assist players who have hardships or are unable to pay ice fees or on travel expenses or those kinds of things, but that's not handled directly by the charity committee.

Beth Gibson said the Sno-King fund raising committee is appointed by the board of Sno-King Hockey and is composed of at least one board member and several other members at large. The mandate of the committee is to review and assess fund raising opportunities, choose appropriate projects, oversee the event while its in progress, through its conclusion, and finally evaluate the success of each project. Several fund raising options

are offered to association members. Each member has a set minimum fund raising obligation which must be fulfilled by a set date. Members may avail of themselves of any or all fund raising projects. In selecting fund raising events that are age appropriate, members reaching from four years through seventeen years have the choice of selecting projects most suitable to their individual needs. Active participation is seen at all levels in the association. Teams that find themselves traveling extensively incur greater expense and often take additional projects as means of defraying costs. Each team must present any additional fund raising projects to the fund raising committee for any approval. Projects sanctioned by the committee this year included the sales of magazine subscriptions, candy and Thunderbird hockey tickets. All were extremely successful and will be considered again for the upcoming season. The 1992 fiscal year fund raising gross amount was \$42,611.44. The budget projection for 1993 season was \$58,440.00.

Bill Pettit said he'd like to briefly report for the building committee that manages the arena. The total cost to create that arena to the association was slightly under \$2 million. Of that, about \$700,000 was paid out of the building fund that was created and out of operations for the last two years. The balance of it represents mortgage debt today that the association bears at a little over \$1.2 million. Part of the bingo proceeds each year, together with the other operations of the hockey association are used to service that debt.

Ian Beverage hockey committee chair, said his committee includes Jim McTaggart and several board members. Cheryl Haas is in attendance today, and Beth Gibson. He said the sport of hockey is a vehicle for learning and not an end to itself. They are charged with providing a well planned and well supervised program that promotes good citizenship, sportsmanship and aids in the transition to adulthood. The committee is responsible for putting the structure in place for running a successful program. This includes the selection of coaches, scheduling and administering discipline when required. He said that, three years ago when he came before this group of people, they had less than 300 players in the program and the program was shrinking due to a lack of ice, and the cost of ice that was available. The arena opened and the program has grown to nearly 500 players. The board, the coaches, and team officials are all volunteers. Kings Gate Ice Arena was built with approximately 80 percent volunteer labor. The program has players as young as four years old and goes through age seventeen. Next year, due to the age change that Jim spoke about earlier, it will go to eighteen years old. The program has had some success in continuing player's careers, and he said the organization also understands the need for continuing education. There are several players attending college on scholarships and many of the players continue their hockey playing careers. Doug Bonner is currently the goal tender for the Seattle Thunderbirds. David Wilke was the number one draft choice of the NHL Montreal Canadians. The organization also donates money and equipment to other hockey programs.

Bill DeMello, bingo committee manager, said the committee is comprised of two board directors, the executive director, secretary/treasurer, snackbar manager, assistant bingo manager, and primary bingo manager. They meet every Tuesday afternoon and monthly in the evenings, if demand warrants. A typical agenda is a review of the previous week's performance against the prior period from the year before in three revenue units: snackbar, pull tab operation and the bingo operation. They review upcoming specials, formats, program changes, discuss the competition, review any policy changes that might be coming up, discuss any unplanned, unbudgeted expense items.

Mr. DeMello said that one of the clearest, strongest messages he gets from the executive director and through the board is managing our bingo payoff percentage. Not only from a compliance, enforcement point of view, but to return to the association the maximum amount of dollars possible. He said he's very happy to report that, for the fiscal year to date, the bingo payoff percentage is 68.1 percent, and calendar year to date is 65.2 percent.

Mr. Pettit thanked the Commission on behalf of the board for the opportunity to present the Sno-King hockey program.

Mr. McTaggart made one clarification, that Puget Sound Junior Hockey League, which was started this year was, in fact, a collaboration of all three organizations, and no single organization could take credit for it. He said he knows that everyone in his organization feels that way and are very happy to have been able to establish that league as a unit to enhance the long-term progress and growth of hockey in the Puget Sound area.

Chairman Graham asked if the commissioners have any questions, or if staff has any comments that they'd like to make.

Commissioner Tull said he'd like to comment prior to moving for recertification. He said this process is now in its third or fourth year of reviewing the largest of the charities and their operations continue to be not only interesting, but gratifying. The ability this process gives the Commission to learn about the operations and how they struggle with the issues that their particular communities present in terms of fund raising, he finds to be an excellent opportunity and he said he's glad it was embarked upon. He recognized the significant additional burden on board members and officers to troop off to a Gambling Commission meeting, to make this type of presentation. He said he appreciates their making the effort, not only to come here, but to serve these organizations. One of the things we're going to be doing, I suspect, over the next couple of years is making sure that all charitable licensees have the level of involvement and commitment that organizations such as this one has. **Commissioner Tull** moved to grant recertification to Sno-King Amateur Hockey Association; **Commissioner Mosbarger** seconded; motion carried. **Commissioner Keefe** abstained from voting.

Chairman Graham called for a break while Seattle Junior Hockey prepares.

***** RECESS *****

SEATTLE JUNIOR HOCKEY, Seattle

John Beadle introduced the board of directors. He said James Morehouse is retired from a local chemical company, and Craig Ford from Washington Natural Gas. He said it's sort of difficult for the two largest hockey associations going back to back, and there will be a lot of "bang" taken out of his presentation, but he will try to avoid some repetition about the Puget Sound Hockey League and some of the other things that was a major part of our presentation. He gave a broad overview of the Seattle Junior Hockey Association and some of the achievements:

John Beadle said the association has firmly established itself over the years as a progressive, dynamic force for amateur hockey in the greater Seattle area. Whether it be the Northwest American's Hockey Club or the Seattle Junior Association youth division, the association stands for the advancement and growth of ice hockey as an American sport. The Northwest American's are a junior "B" club, currently in its 18th year of play in the West Coast Junior Hockey League. Over 17 seasons as a full West Coast Junior Hockey League member, the Northwest Americans qualify for the league play-offs 16 times en route to five West Coast Junior Hockey League championships, three Pacific Coast titles, one British Columbia Crown, and a silver medal in the Western Canada Championship tournaments.

John Beadle said the West Coast Junior Hockey League was recently renamed Pacific International Junior Hockey League and has just finished its current season. It is comprised of eight junior "B" teams of which we are the only American team, and the competition is very stiff in this league. In the 1991 to 1992 season break, they took the opportunity to send the team to the USA Hockey's Hotbed in Minnesota. The team went undefeated and won the goal, which Minnesota was unprepared for due to lack of knowledge of the teams here in Washington state. They have also hosted and played other countries, such as Czechoslovakia and the People's Republic of China. The National Hockey League has drafted three of the Northwest American players directly from the team roster in their annual entry draft. In fiscal year '92, 11 players were on full college scholarship. Currently, there are ten players on full scholarship, and they've had numerous former players go on to full college scholarships throughout the United States and 16 colleges and universities.

John Beadle said the youth division is in its 10th year. The age group runs from five through 21, and they can only carry four 21-year-olds, and there are 20 kids over age 16. The organization directly supported 570 in fiscal year '92. In this past season, since the end of the fiscal year, the roster is at 626. Next year, there will be well over 700.

John Beadle said they are the only hockey association that's ever started an all-girl's hockey team, youth division. This is a new edition and a pilot program. There are a lot of Canadian all girls teams and so far this one is successful. With a modest record of six wins, 10 losses, and two ties during the season, this was

played mostly against all-boy teams. Girls hockey differs from boys hockey in that there is no body contact in the older age brackets. Seattle Junior Hockey feels that further development of girl's hockey is to everyone's benefit, as most girls end up quitting hockey at the age of 12 or 13 years because of the body contact. Girl's hockey has also been named as an Olympic sport for the next Olympics, and girl's college hockey has expanded over the past couple of years, with more colleges offering programs. This program will offer girls the same opportunity as boys in hockey.

John Beadle said approximately 20 percent of all players come from single family households. In 1988, recognizing the need for additional ice time, because the program was stagnated and could not grow, more ice arenas were needed. In 1988, the Seattle Figure Skating Club and the Seattle Junior Hockey Association joined partnerships and activated a nonprofit organization called Washington Ice Skating Association. In January 1989, the group purchased Lynnwood, Sno-King Ice Arena out of bankruptcy for \$1.9 million. It was a very long process. It was purchased for \$1.9 million and today they only owe \$950,000 on that arena. Simultaneously, they have been saving funds and working, over the past two to three years, on acquiring property to construct a new state-of-the-art ice arena.

John Beadle said they were successful. In December 1988, they closed on property: 6.1 acres in the City of Mountlake Terrace, and paid cash. They have been working on the building permit process, and are scheduled for ground-breaking on April 28. The picture in front of the room here is an artist's rendering of what the ice arena is going to look like, and there is a picture that's computerized as provided by the architect. It's going to be an Olympic-sized ice arena, the first in the state of Washington, and the 10th in the nation. It will have 20,000 square feet of ice alone and will be state-of-the-art, the best equipment available. The entire project is costing \$5.5 million dollars. There will be amenities such as a sports therapy clinic housed and operated in the ice arena; weight training facility; ballet room; expanded locker rooms; pro shops, snackbar, etc. It will be a very fine facility.

John Beadle said the Washington Ice Skating Association came up with \$2.2 million toward the \$5.5 million price tag. Frontier Bank financed \$3.3 million to finish the funding for the ice arena. The book came back from the appraiser and appraised the entire project at \$6.1 million. They actually will be getting it for less than what they thought they could do it for.

John Beadle said donations in fiscal year 1992 to outside charities were \$208,876. They also passed a list out for fiscal year '93. It was run off the computer this morning, and it's approximately \$138,000 that was already donated to outside charities. Back in 1990, he stood before the Commission and said that they would gross approximately \$8 million in the bingo gambling activity in 1990 calendar year, and they actually grossed more than \$8 million in that year, so the projections were very accurate. Today, gambling activity in fiscal year 1992 including the snackbar was \$10,143,672. This year, they expect to bust \$11 million, and all of this increase is occurring at the very same time that large bingo games have opened up in the market area. The tribal casino seems to have had zero impact on Seattle Junior Hockey's bingo operation. Last year they increased 7.42 percent and this year expect to increase by 9 percent. The \$500 pull tabs helped increased sales approximately 11 percent. It has actually introduced some people into pull tabs that didn't play them before. Now, the \$500 sitting out there sort of makes it a little attractive.

In summary, **John Beadle** said that, since the early 1970s, the Seattle Junior Hockey Association has provided the Puget Sound region with competitive hockey and a place for local student athletes to further their skills in hockey, while also achieving their academic goals. The success of the Northwest Americans on Ice has been gratifying, but it's far more gratifying to watch a former Northwest American player make the grade in college, or watch an eight-year-old take his or her first strides toward a lifetime in the world's fastest team sport, hockey.

Robert Beadle, President of Seattle Junior Hockey, spoke next. He said he feels good about coming up here today, and seeing Sno-King come along the way they have and be able to put together an arena. Seattle Junior Hockey, gave Sno-King some help to get them back on their feet many years ago, and he said it became a very good investment.

Robert Beadle said the organization is oriented more to youth programs even in their charity donations, although they do donate to a lot of different charities that are not youth oriented. In the Puget Sound area, a large metropolitan area, there are the least amount of facilities for juveniles of any metropolitan area in the United States and territories. The outdoor recreation that used to be available isn't there anymore. The close-in recreation has been built, but no facilities for the youth. He said another startling figure is that, in 1952, the minimum wage was 75¢ an hour. If minimum wage would have kept pace through the years, the minimum wage today, if it was equal to what it was percentage-wise in 1952 would be \$8.25 an hour. The federal is \$3.65, and the state of Washington is \$4.25, which is have what it should be.

Robert Beadle said a single parent is probably the most devastated person, whether male or female. A single person with one child, a single parent, now costs, if they get subsidized housing and full benefits from the state of Washington, costs and pays all the bureaucracy through the DSHS and so on, subsidized housing costs the tax payers about \$35,000 a year to stay on welfare. If minimum wage were doubled, half of welfare would be lost immediately because they wouldn't qualify. They'd also be able to hold their heads up because they'd be earning a decent living. He said he has always supported youth and youth programs to give young people a better chance. When the ice arena is completed, he said he would like to see others built, and that this area can stand at least a dozen of them over the next ten years.

John Beadle said that concludes their presentation, unless there are any questions; **Commissioner Tull** asked John Beadle about the 7 percent growth this past year; **John Beadle** said yes, they ended fiscal year '92, with 7.42; **Commissioner Tull** asked what kind of growth the club can sustain in that market area. **John Beadle** said there's going to be some leveling out, and that it's not the crowds increasing, it's the dollar amount spent per person that's increasing.

Commissioner Graham asked if Seattle Junior Hockey has any ice rental income; **John Beadle** said no, because it's not an ice arena. **Robert Beadle** said if they leased the ice out to the managers, they couldn't break the lease, which is a little over \$20,000 a month.

Commissioner Tull said Seattle Junior Hockey has been one of the real leaders in the charitable gaming field in the state for many years. He asked what kind of issues they are anticipating and planning to deal with in respect with problems involving compulsive gambling or people who have a propensity to gamble more than they can afford. **John Beadle** said he doesn't think it's their place to try to identify or go to one of their clients and tell them they have a gambling problem. He said they do support the Council on Problem Gambling with funds, not as one of the leaders in the financial support to that particular association, but they just sent them a check not very long ago for \$2000. He said he does not think that if they see a player at a pull-tab stand who may be spending \$200 or \$300, he would go over and say, "I think you've got a problem," because then he's lost a customer and all that customer is going to do is go to the next available place to gamble and spend their money there.

Commissioner Tull said that if he just thought that they were spending too much, that probably would be an insufficient basis for taking that action. He asked what if he was aware through the fact that he had some ongoing contact with these people and were aware that they really did have a big problem, would he still refuse to step in.

John Beadle said he personally doesn't think it's their position to address that to them; **Commissioner Tull** asked if they have signs or literature on the property with problem gambling information; **John Beadle** said yes, and they have some posters and 1-800 numbers that the Gambling Commission's provided.

Commissioner Tull asked if the organization is different than someone who operates an establishment that serves liquor, that there's a point as which you're not supposed to be serving somebody; **John Beadle** said that when it's liquor, there are laws that if you don't stop serving, then you're violating the law. He doesn't think they have any rules of any sort to tell them to stop selling people pull tabs, or not allow them to come into a bingo game. He said he thinks there is the difference.

Commissioner Mosbarger asked John if, when the new arena is built, will it be their building; **John Beadle** said yes, and they will actually operate the ice arena. He said it belongs to the Washington State Ice Skating Association, which is figure skating and hockey together.

Commissioner Mosbarger asked if the profits will go into the organization; **John Beadle** said that's correct.

Someone from the audience added that, with regard to problem gambling controls, they have in their check cashing policy a tool built in to circumvent confronting the customer in the verification system. Once their check has been cashed, the computer system will notice that if they come back to cash another check, and they feel they've spent too much, or they've gone beyond their means, then at that point the cashier can say, "Sorry, we just can't take another check," and they can cut them off that way. So there is an indirect manner to handle that.

Commissioner Tull told John that although he understands they have to be very careful about making judgments about people's personal choices, as a leader in the field, and as gambling continues to get larger and larger, that there is going to be more and more likelihood of scrutiny of some of these types of issues and more and more pressures resulting from that scrutiny to pass laws. He asked if, as a leader, wouldn't Mr. Beadle like to avoid those sort of sweeping consequences through progressive action.

John Beadle said they would join in any effort, whatsoever, to protect legalized gambling that is enjoyed in this state today. If there was some movement that indicated that possibly, if he was to get up and take the leading edge on a method of identifying these people and somehow coming up with policy within the state on how to deal with it, he'd be right in the forefront.

Commissioner Tull said that a couple years ago at a meeting in Fife, when the Commission heard the report on the status of efforts regarding problem gaming in the state, that the commission tried to send out a signal that it really would like to see the industry always be ahead of the curve, and ahead of the wave on these issues. He reemphasized the fact that, with such a highly organized and highly skilled group of folks in the business, he would really hope that they would be the ones coming forward with the program to preserve the golden goose. **John Beadle** said he fully understands that; **Commissioner Tull** said that may not be the Commission's job, that it's probably the industry's.

Commissioner Tull moved that Seattle Junior Hockey be recertified; **Commissioner Mosbarger** seconded the motion; **Commissioner Graham** called for a vote; carried. **Commissioner Keefe** abstained from voting. Recertified.

Commissioner Graham called for recertifications and said Mr. Bishop is presenting the recertifications.

RECERTIFICATIONS

EVERETT FIRE FIGHTERS ASSOCIATION, Marysville

Mr. Bishop said they operate a Class F bingo game. The organization itself is actually a group of active and retired fire fighters that represent six fire stations in the City of Everett. They have 204 voting members. Last year they provided sponsorships and contributions, a little over \$18,000. Basically, a lot of their services have to do with providing amateur athletics also, as well as services for their members. They have had some reduction in their bingo income this past year. Of course, they are located basically right across the street from the Tulalip bingo game and casino. Staff recommends recertification as a civic organization.

Commissioner Graham called for questions; **Commissioner Mosbarger** moved for recertification; **Commissioner Tull** seconded; **Commissioner Graham** called for a vote; recertification carried. Commissioner Keefe abstained from voting.

FERNDAL BAND BOOSTERS, Ferndale

Mr. Bishop said they hold a Class H bingo license up to \$2 million. The organization's primary activity is to support the Ferndale high school band and various activities that they operate in. They have 100 voting members. In addition to the services provided the band, they also contributed last year \$25,000 in cash and

also allowed the use of their building facility to the tune of \$11,000. They also have recognized some reduction in their bingo income. It's just general competition in the area. Staff recommends recertification.

Ardith Divine moved for recertification; **Commissioner Tull** seconded; **Commissioner Graham** called for a vote; carried. Commissioner Keefe abstained from voting.

FOE 204, WENATCHEE

Mr. Bishop said this organization is listed here because of the Class K punchboard and pull tab license that they have. They also do operate a bingo game at a \$500,000 level. There's a fairly good-sized Eagles Club in Wenatchee. They have over 2000 voting members. The primary services are providing services to their members at the club facility. Last year they contributed almost \$3000 to their community. This is the first time they've been before the Commission. There were some problems with the reporting requirements, but nothing that was detrimental to them, other than their report was not complete. Staff did quite a bit of training with them, and recommends temporary certification, pending their next report, which would be due in four or five months, so that staff can see that they're on line with meeting all the reporting requirements.

Commissioner Mosbarger moved for temporary recertification until their next report; **Ardith Divine** seconded; **Commissioner Graham** called for a vote on the temporary recertification of FOE 204; passed.

LIONS CLUB OF NORTH EVERETT

Mr. Bishop said they hold a Class H bingo license. The Lion's Club is a community service club, located locally in Everett. Last year scholarships totalled \$118,000, which is amazing for an organization with this size of an income. They have increased their gambling activity. In fact, they've turned almost \$60,000 more profit on the same gross over the last year, so this is a real success story. The staff recommends recertification as a civic organization.

Commissioner Graham asked if they actually try to increase their membership? They've only got 25 members; **(someone from the audience** said they're trying to recruit more members); **Mr. Bishop** said it's kind of tough for a Lion's Club, and this is just for the area of North Everett. **Ardith Divine** moved for recertification; **Commissioner Mosbarger** seconded; **Commissioner Graham** called for a vote; carried. Commissioner Keefe abstained from voting.

NORTHWEST AMATEUR HOCKEY ASSOCIATION, EVERETT

Mr. Bishop said they have a Class J bingo license, up to \$3 million. They have 53 voting members. They're predominately into large, traveling hockey teams. They have three or so that they support; 80 players they supported last year. They had no contributions or scholarships. Their gambling activity is maintaining a basic, steady flow. They did increase the net, but they also increased their gross by \$400,000. Staff recommending recertification as an athletic organization.

Commissioner Graham said it says here that they were licensed in January 1979 and then they first formed their club in July 1979; **Mr. Bishop** said that must be an error. **Commissioner Graham** said he also noticed there are two people that also carry two full time jobs, plus coach and they're working a sixty-hour week. **Mr. Bishop** said he doesn't know, but that people involved in youth sports, on a volunteer basis, could very easily put that kind of time into it.

Commissioner Graham asked if there were any more questions from the commission; none were presented; he asked the wish of the commission. **Commissioner Mosbarger** moved for recertification; **Ardith Divine** seconded; **Commissioner Graham** called for a vote; carried. Commissioner Keefe abstained from voting.

Director Miller said now there is the issue of the presentation before the Commission, and while everyone is here he'd like to discuss Class II recertifications. He said he likes to have Jacki and people come up for development purposes, and when the Commission meets closer to Olympia, where it doesn't require overnight or a flight, that he'd ask staff to meet the Commissioners, to make presentations, and maybe then there could be a balanced approach for those meeting held out of town, like Spokane, where Ben, Sharon, and Neal could take different presentations. He asked if that's a fair compromise. He said he also noticed it was a little staff-heavy in Spokane and was concerned about that. Staff is encouraged to come to the meetings -- those in the area -- because it's the only time they get to see the commissioners and how the meetings work in reality, which is very important.

Commissioner Mosbarger said she also thought there were a lot in Spokane and she thinks it would be better to try and involve them in localities closer to Olympia; **Director Miller** said that's a pretty good compromise.

Commissioner Graham said the meeting is adjourned until tomorrow at 10:00 a.m.

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING FRIDAY, APRIL 16, 1993

Chairman Graham called the meeting to order at 10:00 a.m., at the Everett Pacific Hotel, Everett, Washington.

MEMBERS PRESENT: **PATRICK GRAHAM, Chairman; Commissioners THOMAS KEEFE, ROBERT TULL, ARDITH DIVINE and WANDA MOSBARGER.**

OTHERS PRESENT: **FRANK MILLER, Director; JULI ANDERSON, Assistant Director; SHARON TOLTON, Special Assistant to the Director; BEN BISHOP, Assistant Director; Jonathan McCoy, Assistant Attorney General; SUSAN YEAGER, Executive Secretary.**

Commissioner Graham began the meeting with introductions. He then called for the wish of the Commission for the meeting minutes from the March 11 and 12 in Spokane.

Commissioner Keefe said he has one typographical change, on page 16 in the middle of the page. "Commissioner Keefe said Director Miller is now representing the Commission . . ." it should be "to" the Commission here and that this will "not" affect the bingo operations, punchboards and pull tabs. In other words, Frank had previously stated above that they would not have an impact because of the fee that was being paid by the tribal gaming activities, and so that should be a "not."

Commissioner Graham asked if there were any other corrections. **Commissioner Keefe** moved for the approval; **Commissioner Divine** seconded; **Commissioner Graham** called for a vote; motion carried.

2. STAFF REPORTS

A. Legislative Update

Director Miller gave a brief update on legislation. He said that, as of yesterday, only two pieces of legislation are still pending regarding gambling in the state. The first bill, SB 5241, would address the issue of wages and salaries regarding bingo. It deals with the question of does the Commission have to set maximum salaries, as has been the view of some, or was it discretionary. This bill was proposed by the charitable gaming industry, and it added the phrase, "this section shall be deemed to be permissive, not mandatory." The bill passed the Senate, and as of yesterday, it cleared the house a 96 0 vote. It will now be going to Governor Lowry. If the bill passes, it does not change how the Commission is active, but it does go to the issue of what is mandatory and what is permissive. The other piece of legislation is the creation of a task force, and this is a resolution only. It is currently in the Senate and waiting approval with an amendment made by the Senate. The amendment added representation of the Governor's Office, and it also will result in a study on the feasibility of combining the Gambling, the Horse Racing and the Lottery Commissions together.

Commissioner Tull asked Director Miller if anyone reminded the Legislature of the study that was conducted in '84/'85. Director Miller said not to his knowledge, but he remembers the study very vividly. There are some unique differences between the agencies that will be brought up again, and he's sure the Senate and House staff will be working very much together in looking at this issue. He said that completes this part of the report, and now Sharon Tolton will give a briefing on tribal negotiations.

INDIAN NEGOTIATIONS UPDATE

Ms. Tolton said the agency currently has six Class III compacts completed and fully ratified. In addition, two compacts, the Jamestown and Muckleshoot are now pending before the Secretary of the Interior in Washington, D.C. The Squaxin and Quileute compacts have been forwarded to both the legislative committees and the commission, and hearing dates will be set in the very near future. The most active negotiations at this point, in addition to those involve the Puyallup Tribe, the Lummi Tribe, and the Suquamish.

Director Miller said one other issue is that last week a request came in for a new compact negotiation from the Muckleshoot Tribe for live horse racing. This has caused a lot of publicity and a lot of interest, due to the fact that the Horse Racing Commission has scheduled and has made it known publicly they will make their announcement on the 25th or so of this month as to which site in the Western Washington will be awarded racing dates. There was a major piece in the Seattle P-I today on that. The Gambling Commission has worked closely with the Horse Racing Commission. The Gambling Commission will sit down and work with the Tribe, and put its negotiations team together, and see what the Tribe wants to do. The timing was unique and we were not expecting it at this point in time, but they certainly have a right to look at that issue, and we have an obligation to sit down and to hear the tribe out, which we will be doing in early May.

Commissioner Mosbarger asked if they have room for a race track in their reservation. **Director Miller** said he has no idea at this point in time, and he has no specifics other than a request to sit down and look at this issue. **Commissioner Graham** said the public should be made aware that there will probably be a hearing some time next month on two compacts.

Director Miller said yes, the two compacts that Sharon referenced were forwarded to the Legislature approximately a week ago, and under the statute, when legislative session is going on, the time limit is extended by 15 days. They have 60 days from the time it was forwarded, and Legislature has 45 to conduct their first hearing. No date has been set yet. The tribes are located in Shelton and in Forks, so the Commission may want to have a hearing somewhere on the peninsula between the two areas. **Commissioner Graham** suggested possibly have a hearing in Shelton in the morning and one in the afternoon at Port Angeles or Port Townsend. **Director Miller** said that's a possibility.

Tulalip Tribes

Commissioner Graham introduced two guests to make presentations; first Steve Griffiths, the general manager of the Tulalip casino. **Mr. Griffiths** said he'd like to talk briefly about the successes they've enjoyed at the Tulalip casino. He said the profits go into the general fund for the Tribe, and out of that general fund, they finance their various projects and enterprises. One completed project is a home for the tribal elders, and another one is a drug and alcohol rehabilitation center that's underway. This is tangible evidence that the Indian Gaming Regulatory Act is working. The tribes can be self sufficient and do things in a social manner for their general membership. There are other success stories here, and one of those is employment. Even though it's not explicitly stated in the Act, it implied that employment is a key issue. Initially, the Tribe said if the enterprise broke even and employed 100 tribal members, then they would consider that an overwhelming success. The vast majority of the kids trained have graduated and hold jobs in the casino. The self respect and the self esteem that they've gained through employment is the true success story with the Tulalip casino, not necessarily the money that the Tribe is deriving, but the employment and some of the things they've done to build self confidence for some of the members.

Mr. Griffiths said the Tribe's relationship with the Gambling Commission has been wonderful has allowed them to accomplish a great deal in a short period of time through mutual respect and a cooperative effort. He thanked the Commission for giving them this opportunity to give this presentation.

Commissioner Mosbarger asked how many tribal members are employed at the casino and at the restaurant. **Mr. Griffiths** said that, currently, they're a little bit inflated because about 175 kids are in training. There's training for the poker expansion, and as well as some expansion in the future for Class III, so last payroll period, they cut over 570 checks. Eventually what they'll be employing is about 400 people. Two out of three of those will be tribal members. That number will go up in the future, because there is tribal preference

in hiring, so there will be an increased number, perhaps as high as 70 80 percent in the future. **Commissioner Mosbarger** said that's wonderful.

Snohomish County Sheriff

Commissioner Graham introduced Sheriff Jim Scharf, Sheriff of Snohomish County.

Sheriff Scharf said, by way of explanation, they are the only law enforcement jurisdiction that has full criminal authority on an Indian reservation, a full state jurisdiction. The other sheriffs offices in the state of Washington do not have that type of agreement, so that makes Snohomish County unique. He said they do different things with the tribes, for instance, they are in cultural awareness training with the Tribe to instruction for supervisors as well as other members of the staff on the cultural heritage of the Indians, and why they see things differently than caucasians see things. It really has developed a mutual relationship that is beneficial to all concerned.

Sheriff Scharf said that, when the idea of the Tulalips getting involved with a casino gambling came into being, the Sheriff's office was contacted by Wayne Williams, who was in charge of the bingo operation on the reservation. From the beginning, there was trust and mutual cooperation. The two and a half percent that is given by the Tribe from the gaming monies comes to Snohomish County government, both Snohomish County and the City of Marysville, to be used for law enforcement purposes, and this contribution was the idea of the Tribe. They felt that that money could be utilized to alleviate any law enforcement concerns that may arise as a result of casino operations. To date, there has been very little criminal activity as a result of the casino operation. Officers do daily walk-throughs in coordination and cooperation with the casino employees. They also do monthly on-site observations of their monitoring activities, and the Tribe is very, very cooperative.

Sheriff Scharf recognized the cooperation is the Washington State Gambling Commission. He said that, without the Gambling Commission personnel's expertise and assistance, the Sheriff's Office could not accomplish what they do in coordination with the Tribe. The expertise that comes from the Gaming Commission and the personnel assigned out there to work with the Sheriff's office, are really beneficial.

Sheriff Scharf said he sometimes sounds like a spokesman for the Tulalip Tribe and the reason is because the monies they obtain either through fisheries or casino gambling are put back into the Tribe for positive, constructive operation for their people. The concept out there is a village of helping people help themselves, either through alcohol problems or drug problems. The monies that are generated through casino gambling also go to housing authority opportunities. If people were to take a tour of the Tulalip reservation, they should contact the housing manager for the housing authority to see the accomplishments and the steps forward that the Tulalip Tribe has made in regard to housing their people. The harbor for their fishing fleet is also an example.

He said the Tribe meets with them on a monthly basis, with Stan Jones or other people, and cooperates with the Sheriff's office, because they understand the meaning of an open communication and trust. He said the Tribe is very, very good at that, and of course, the Snohomish County Sheriff's Office and Snohomish County government are the benefactors of that.

Commissioner Tull commented that there have been few criminal law type problems with the inception of the casino. He said there is great concern in other communities that the presence of gamblers is going to bring with it all sorts of other types of crime, and asked why has that not happened at Tulalip.

Sheriff Scharf said if there are fears, they are fears of the unknown. The situation in Snohomish County is a very unique situation in that there's cooperation. When there is a group of people that understands the importance cooperating with another entity, that's going to alleviate problems that may occur. He said he's not familiar with the type of relationship the Nooksacks have with authorities in Whatcom County. **Commissioner Tull** said he thinks it's pretty good. **Sheriff Scharf** said if there has been ground work done prior to the building and the development of that facility, that will alleviate many of those problems.

He said, naturally, there is going to be crime that occurs, but it can be minimized. The amount of felony activity as a result of the operation of the Tulalip casino is extremely minimal and has not affected them that

much. The traffic congestion has not been a problem. They have more problems with 4th of July activities and fireworks than with casino gambling.

Commissioner Graham thanked the sheriff for his presentation.

ITEM 2C

Class III Gaming Implementation Program

Director Miller said this item is a continuation of what was presented yesterday regarding the employees needed to cover the Class III implementation program. To cover the additional six casinos that are current, he is requesting 20.2 FTEs, and with the additional two compacts that are tentatively done, an additional 5.3 to 5.5 FTEs there.

Commissioner Graham asked if under Field Operations, he's asking for 10.2. **Director Miller** said that's correct. **Commissioner Graham** asked how he plans to bring on these ten people; staggered or immediately; **Director Miller** said it will be staggered. Training programs will need to begin immediately for many of the staff currently on. Over the last year, the agency has been trying to examine this issue of combining forces and utilizing the current work force to handle both the tribal area and the non tribal area. Everyone is being trained, so as new casinos open up, the agency has enough time to get staff on board and involved in the implementation. The initial impact for hiring will be predominately in the licensing area, with probably one or two initially in Management Services. There has not been any increase in management services for any of the casino action at this time. First and foremost is licensing. Get that in, get those people up and trained. It takes time to train them down there to do financial investigations.

Commissioner Graham said that, in the presentation that was given in Spokane, staff had down 50 total average hours per week per casino, and that **Director Miller** said, at that time, 37 hours on site. It says in the minutes an average of 40 hours per week on site, and then 60 hours per week it says here today in this packet. **Director Miller** said today the request is for 10.2 FTEs from the field, which is based on almost a year's expertise in this area and is the best, good faith estimate. The initial projection is 60 hours for the first six months per facility of regulation time. And then a reduction after that per casino. There will be some that will be greater and some that will be less. The hours in the packet are what was used to bill and is based on projected hours of regulation.

Director Miller said that, yesterday, different areas were discussed, such as the audits, and as he indicated, the agency is going to be doing an operational review of the Tulalip operation very soon to determine whether or not compliance has been made enough, or if the expansion that was negotiated can be implemented. Sixty hours a week means initially the agency will have a greater presence, then it will be reduced to a level that depends on the relationship and on how things are going, the best estimate is it will be an average of 40 after the first six months. The figure of 10.2 takes that into account. For eight casinos or six casinos, it's roughly one and a half FTEs per casino for the field. **Commissioner Graham** asked about the hiring of these field operations people, and is the plan to hire them so many months before a casino is going to come on line.

Director Miller said training of current staff starts in May, and from that there will be selected people in different parts of the state from their current regions assigned certain casinos when they do open. Staff has already started working with the Tribe. Ms. Tolton's responsibility is implementation: the government to government relationship; setting up the frame work. More and more of that load now is being shared with the regional program managers as it's pushed out into the region, and the people that will then be assigned to work that casino. In the future, people will be rotating. There won't be one person in a casino for a long period of time. After the first quarter of operation the agency will be reimbursed, but they will not come on six to eight months in advance unless they are involved in working with a Tribe. They will be trained, however. **Commissioner Graham** asked if, looking down the road two years from now, does he envision them to be all the people that are presently on staff, or would they be mostly new people, or a mix.

Director Miller said at this point in time, there are people who have been assigned to Class III and that's all they do. They all came from people already on staff. They were selected, trained and promoted. Some of those people who have performed very well will go into more of a supervisory role, and will have the potential to compete for that in the future. He said he hopes to be able to fill those positions from current staff, but if

there's a certain type of expertise needed and not available on staff, then recruiting people from other states would possibly be an option. He doesn't want to foreclose that option, but that is not the intent at this time. It will be a combination. **Commissioner Graham** asked if he would hire these ten people, would the ten new people coming on probably go to, not to Class III, but to other parts of the law enforcement. **Director Miller** said yes, if Class III positions can be filled with current staff, then the ones that are hired will be replacing those that were doing the other duties, and that's the goal.

Director Miller said that, in November, the Commission authorized an additional three FTEs for the licensing purpose financial investigations, because of the new influx, mostly management companies coming in that require far greater scrutiny and expenditure of funds travel all over the country. Sometimes investigations range in \$50,000 to \$100,000 alone. With the projected six additional casinos, plus the additional two that are tentatively up for approval, but at least the six people that Ben Bishop has asked for in licensing will be necessary to handle the job on an on going basis. There will be times of peaks and sometimes lows, but it will be staggered hiring based on contact with the Tribes. If the time comes that the agency is over staffed, he emphasized that the issue would be looked at and brought before the Commission, but he said he doesn't see it happening. If it happens anywhere, it would be more in the regulatory end if there is a decline in the current non Indian gaming in the field.

Commissioner Graham asked about the third request area, Management Services. **Director Miller** said 700 applications have been brought in with no increase in staff. The impact is in processing checks, application fees, increased staff travel records, billing the tribes, computerizing a system to keep track of all the hours expended on regulation. About 12 people have already been added for Class III for the total program. Four people should be sufficient to cover this program at this time, but that also includes Nooksack and Tulalip, and the work is there already. **Director Miller** told Chairman Graham that when he comes in to the office this week, Assistant Director Anderson will give him a tour of what they're doing, and the amount of work they are doing. He said he'd see that they are spread thin right now on the management side of the agency, which is the business office.

Commissioner Graham asked **Director Miller** to review what the Commission approved last year. He said he thought they were to be hired on different, staggered schedules. He asked if it was to be four on in the first three months, and then during a six month period to put on some more, and then in the next six months put on some more. He asked if that has been completed. **Director Miller** said the request was mainly for the reorganization needs, and the majority of people have been put on. In the audit section, the new program being developed is predominately a movement of current staff. An increase was budgeted for, and now staff is waiting until the next fiscal year to put another person on in the audit area. All of the Class III people were put on that were already asked for, which was five or six positions. **Ms. Anderson** said that was five in the first fiscal year, and one in the second fiscal year. **Director Miller** said six were put on Class III and the majority have been put on place, and a few more are budgeted for next year.

Commissioner Tull asked if there is any reason for the Commission or for management of the agency to be confused about the self sustaining nature of the Class III program. It's entirely budgeted on a prospective basis to be funded from, essentially, fees for service.

Director Miller said yes, that's correct. The agency has made a commitment to the Commissioners and to the licensees of this state that the Class III program will be funded by the tribes that profit. The negotiation program has been funded by the fund balance. Last year the Legislature and the former administration signed legislation directing this agency to utilize the fund balance to fund negotiations. It also gave this agency the authority and the power to implement provisions of any compact to carry them out, which was what Commissioner Keefe had brought up before. The Gambling Commission is are committed to billing the tribes for the work done. If the amount of revenues that come in do not cover the expenses, then costs will be increased to the tribes. That is in the compact and the agency has authority to do so.

Commissioner Mosbarger asked if there's a possibility that a tribe, somewhere along the line, would refuse to pay. **Director Miller** said that is certainly a possibility, but there is a requirement in the compacts. A tribe has a right to dispute billing, and if the agency is unable to resolve that, that will go to arbitration and will be resolved by an arbitrator. The hourly rate of approximately \$40 an hour is based on the billable hours, the amount of staffing that will be utilized, all the FTEs for the program, taken in and divided into the total FTE base. That includes the cars, the gas, the windshield wipers, everything. That's what is used in the actual

time billed against that, plus license fees. If they choose not to pay it, it can be subject to arbitration and also subject to interpretations in violation of the compact. We hope that doesn't happen, but the agency has an obligation to be very accurate with the tribes and to demonstrate that what they're being charged for is fair and reasonable and does reflect the actual costs.

Commissioner Divine asked if the agency bills them monthly or quarterly. **Director Miller** said it's quarterly. **Commissioner Tull** asked if he has a pretty clear understanding that the Commission will be subject to tribal scrutiny for billing too much; **Director Miller** said yes, very much so. **Commissioner Tull** said and also under other licensee scrutiny for billing too low, and Commission scrutiny if anything goes wrong. **Director Miller** said he is very aware of that, and the staff is as well. The rest of the licensee in the room have been very supportive of this process and this is a tough time. They're feeling stress, they feel that they're being threatened by these new operations. The Nooksack Tribe has a fabulous operation, it's quite in a league of its own. And so the licensees are quite concerned and it's difficult. But this agency is changing and can hopefully continue to play a role in working with all of the groups and that in the long term everybody will be able to share in the gambling dollar.

Director Miller said, on the issue of license fees, he wants to make one point. The agency has not had to increase fees for some time and doesn't anticipate one. But there will be one eventually. Unfortunately, as everything has gone up including the cost of vehicles, salaries, benefits, etc., someday there will be an adjustment needed. It will not be because of Class III gaming. At least not while he's the director of this agency.

Commissioner Graham requested for public comment on this.

Debbie Scott, President of the Washington Charitable and Civic Gaming Association said WCCGA would like to go on record in support of this proposal. They're concerned that without additional staff, the level of service and representation they receive could be diminished.

Ron Sellar, Washington State Licensed Beverage Association said the Association concurs with the last person who spoke. The WSLBA feels that **Director Miller** has been doing a real good job in trying to keep the Indians from overrunning the other licensees. There are states that have been overrun by Indian gaming that's come in, but so far, commercial operators haven't felt that here, at least not with only one open so far. But if they're well regulated and they pay for it, it's got to help the other licensees too.

Commissioner Graham asked if anybody else wishes to address the Commission; hearing none, he asked what is the wish of the Commission; **Commissioner Tull** said he believes that it is appropriate to proceed with this continuing evolution of our Class III regulatory program. It's subject to revision by this Commission from time to time, either upon the recommendation of staff or on its own initiative. He said the Commission has a management team employed to provide their best recommendations, and with the public discussion, and with the very clear understandings with **Director Miller** and with the other licensee communities, it is appropriate to proceed. **Commissioner Tull** moved that the Director be authorized to proceed in accordance with the plan he has outlined yesterday and today; **Commissioner Mosbarger** seconded the motion.

Commissioner Graham amended the motion to approve the Field Operations ten FTEs but say that five of them be hired as requested and the other five approved, but with the stipulation that the Commission is informed when they will be coming on. **Commissioner Keefe** seconded the amendment.

Commissioner Tull asked Chairman Graham to clarify what he intends by that. **Commissioner Graham** said that the Commission should know when these casinos are coming on and not just give a blank check for ten. The Commissioners themselves should be informed when the next five are coming on. **Commissioner Tull** said he understands now and completely agrees with that. As this agency does grow, he suggested that a program be started on a monthly basis to advise the Commissioners of new hires, transfers, and who these folks are.

Director Miller said he doesn't want to inundate the commissioners with information, but as people are brought on, the agency staff will issue a memo on what positions were filled, what parts of the agency were filled, and when they begin their employment. **Commissioner Graham** said the reason for this request is that, in talking to some people today, he finds out that the projected opening of these four may not be exact.

Director Miller said that he questioned some of them, too. The projections were referred to staff by contacted parties. Once again, the field people will not be put in place and some are already on staff and will not be replaced until there is a casino close to operation. If these casinos don't open up for three years, the agency is not going to have 20 people on staff in addition for this program. Its going to be triggered to each casino coming on line. He said he agrees to let the commissioners know when the triggering date is.

Ms. Anderson said the projection dates in the packet are for when the license applications will begin coming in. It's not anticipated that the Muckleshoots will be able to start in June of this year, but they have told staff members they anticipate having people come in for licensing during that time period. So those are dates for initial licensing applications, not dates of anticipated casino openings.

Director Miller said licensee fees cover the license investigation process. That's why, for example, one company may be charged \$50,000 to start the process. The regulatory/administration time in the field will be based on working with the Tribe in the implementation and the ongoing regulation. **Commissioner Mosbarger** said she accepts Chairman Graham's amendment as a friendly amendment. **Commissioner Tull** said yes, he thinks that's a friendly amendment, and the make of the motion is accepted by him also. He said he would like to be kept informed of meetings with a handout or on some sort of a quick memo monthly, in terms of changes in terms of employee status. He said the commissioners will want to see, on a monthly basis, how that revenue stream is looking, the time on the books is looking, and will still rely on executive staff to inform the commissioners, but he thinks they do have to be very careful that staff does not keep wracking up hours, not getting the money in and not reacting in time, because the Commission doesn't have any extra money for Class III gaming at this time.

Director Miller agrees and said he is committed to managing the agency properly. He said the Gambling Commission is in a very unique and somewhat difficult position. Other state agencies have to reduce, and the Commission must increase. He said the Legislature does support the Commission's work and are fully aware of what's being done here. The Governor's staff is aware and supportive of this program. There were some cuts made the negotiating position is no longer on the payroll, and the Governor directed the agency to cut a certain percentage of its management team, which was done, because it was an executive order for all agencies. It came out about three weeks ago. One position had already been terminated (negotiations) and the agency also is in the process of a reorganization of the licensing section where one position has been abolished, so those requirements were met.

Commissioner Graham said he'd like to add a comment about the budget leveling out at \$2.2 million. He said that, in both private business and in government, when a lot of money is being spent and the balance goes down, when it starts to level off, it isn't that easy to stop spending. He said he hopes that the Commission isn't in the position of all of the sudden diving through \$2.2 and this Commission is faced with license increases.

Director Miller said he shares the chairman's concern. Staff has had many talks in house on this and it's being watched very closely. If the balance goes below the amount, there will be the necessary cuts to get back above. It's a difficult time and there are a lot of intangibles. Number one is what impact tribal gaming will have on non tribal gaming. It's unknown, but if the impact is severe, obviously it's going to affect and impact that regulatory program and impact the workload, possibly to where cut backs have to be made. Those are issues to talk together about, in these type of forums, and he said he can get them more information on a monthly basis and keep the commissioners apprized. He would feel more confident and the commissioners would feel more confident also.

Commissioner Keefe said he would suggest hiring an attorney for expertise on billable hours. He said he'd also like to make a point he's made before, and that is that, philosophically, he's going to oppose the motion, because he doesn't feel it is the Commission's primary mission and he feels that the Commission is entering into a field in which it has no responsibility for, and he thinks that it's fraught with dangers in the future.

Commissioner Graham asked if there were any more questions; he called for a vote on the motion with the friendly amendment; 4 to 1 vote approved. (Commissioner Keefe opposed)

3. RULES

Card rooms

Ms. Tolton said there are three rules under Item 3(A) that are up for final action today. Staff would like make these rules effective July 1, should they pass.

Item 3A(1) WAC 230-08-090, Daily records Card games. This rule simplifies recordkeeping requirements and cuts printing costs. It actually removes the requirement for a three part form. Staff is recommending final adoption.

Commissioner Graham called for questions from the Commission and/or statements from the public; hearing none, he called for a vote; carried.

Ms. Tolton Item 3A(2) WAC 230-30-106, Standards for flares, made by manufacturers, distributors, operators; for discussion and final action. This rule provides a measure of prevention in the potential manipulation of games when substitute flares are used. Staff is recommending final adoption.

Commissioner Tull moved for adoption; **Commissioner Mosbarger** seconded; **Commissioner Graham** called for a vote; motion carried.

Ms. Tolton Item 3A(3) WAC 230-30-300, Recall of defective punchboards, pull tabs or pull tab dispensing devices; for discussion and final action. This is basically a clarification of the recall procedure and provides a fair method of reimbursement to distributors by manufacturers of products that are recalled. Staff is recommending final adoption.

Commissioner Mosbarger recommended adoption; **Commissioner Tull** seconded; **Commissioner Graham** called for a vote; carried.

RULES

B. Licensing

Ms. Tolton said all these rules are for discussion only. They were filed last month. Briefly, Item 3B(1) is a clarification of criteria providing for denial, suspension or revocation of licenses. It's in requirement with the APA and was drafted by the hearings officer. **Commissioner Graham** called for questions, received none, then moved to the next item.

Ms. Tolton said item 3B(2) merely clarifies wording and replaces "shall allow operation" as opposed to "shall locate." And Item 3B(3) is a housekeeping change to correspond with a rule that was recently changed to add "K" commercial amusement games to be operated in grocery stores. **Commissioner Graham** called for questions or public comment, received non, then went on to the next item.

Ms. Tolton said item 3B(4) calls for a free roll customer appreciation tournament for card rooms.

Commissioner Graham asked for questions from the Commission or public comment; received none; advanced to Item B(5) through (9).

Ms. Tolton said items 3B(5) and (8) are next. Both proposals delete provisions for electronic punchboards because no such device currently exists. **Commissioner Graham** called for questions or comments.

Mr. Sellar opposed this change, saying just because they aren't in existence now doesn't mean they might not be available next week. He asked if the same loops would have to be gone through then to get them approved if they are taken out now. **Commissioner Graham** said he recommends that the staff look at those two.

Ms. Tolton agreed and said she can't respond to that because these were drafted by Deputy Director Nunamaker, who is absent today. **Director Miller** said the device is not functional and this rule was specific to a device tested some years ago. It was a combination of manual and electronic. Any new device that might be consistent with state law would be brought before the Commission to be examined, but it would not fit this

definition. This is a very specific definition for one type of device only, so it's outdated and should be repealed. **Commissioner Tull** asked if this was for the little machine he remembers being shown before that was sort of a printer/calculator type device. **Director Miller** said yes, and that it did not work. No other type of device would fit the definition here so he recommends it be repealed today, or at least get it ready for repeal.

Commissioner Graham asked for further comments; none were presented; continued to the next item on the agenda.

ITEM 3B(7)

Ms. Tolton said six and nine were together, so she'll go to number seven; 3B(7) provides for the fund raising event environment to be consistent with changes that were made to pull tab rules, so it's a housekeeping change. **Commissioner Graham** called for comments from the Commission and/or public; none were offered.

Ms. Tolton said, going back to six and nine, 3B(6) along with 3B(9) both add computerized recordkeeping requirements to those rules. **Commissioner Graham** asked for questions/comments; hearing none, the Commission continued to the next items (10) through (13).

PULL TAB DISPENSING DEVICES

Ms. Tolton said 10 through 13 all consolidate and clarify standards and requirements for coin operated pull tab dispensing devices. She noted that 11 is a complete repeal and also an issue that Commissioner Keefe raised a couple of meetings ago regarding posting on the machine if change was not available when bill was deposited and is listed in that section, 7. **Commissioner Keefe** said he noticed at the casino yesterday that they had specific statements on there that about not getting change. **Commissioner Tull** asked if, in the compact casinos, are pull tab operations Class II.

Ms. Tolton said yes, they are. Under the federal Act, they're actually listed out as Class II as long as they are in conjunction with a bingo operation, so the poker room and the pull tabs at the Tulalip facility are Class II activities and not subject to the compact or the Commission's jurisdiction.

Commissioner Tull asked if pull tabs are Class II at Nooksack, or Class III. **Ms. Tolton** said they are Class II, even though there's no bingo. She said during negotiations, there was a discussion that there would be a bingo operation ultimately at that facility, and the agency's concern was that the pull tabs be operated in compliance with the way they had their rules set up under bingo, if they operated them within the Class III facility.

Commissioner Graham asked if there were any more questions from the Commission or public comment; hearing none, the next item was called up.

ITEM 3B(14) PROMOTIONAL ACTIVITIES, BINGO

Ms. Tolton said item 3B(14) is WAC 230-20-111, a new rule, which again is for discussion only, with final action in May. This rule provides for any organization that plans to offer live performance before, during, or after any bingo session shall secure approval by director of the Commission prior to conducting the live performance. She noted that although at the time of printing, statements against the rule change indicated none, the Commission is in possession of a number of letters and correspondence from both licensees and the public regarding this issue. Concern was expressed in a couple of areas; one related to the ability of children to be present at bingo halls as well as the type of adult entertainment that is being offered in some cases. There was also concern expressed related the to the Gambling Commission becoming the "morals police," which was discussed at the last meeting. A letter was sent to all bingo licensees advising them that this rule did go into emergency effectiveness at the last meeting and is in effect at this time, and she requested any input from them to bring to the Commission at this meeting. **Commissioner Graham** asked if there are any questions from the Commission.

Commissioner Tull noted the references to "live" performance. A few sentences in, it refers to live or recorded. Down in section one, it refers only to live; number two, only to live; number three, only to live, so it's confusing as to whether recorded renditions of any of these activities be included. **Ms. Tolton** said "live and recorded" could be added to those sections prior to final adoption. **Commissioner Tull** said no, he's just pointing out that inconsistency. **Commissioner Keefe** suggested the Commission strike "live.?"

Ms. Tolton said that could be done, because it covers everything there; promotional activities, performances as gifts, advance approval required. She asked if he meant to just put, "including performances to entertain," as opposed to "live."

Director Miller said he has received two requests this month. One was for a accordion player and an Easter bunny, and some different things. He wrote them back and said, "That's fine. Thank you." It was very non-time consuming and at least let the agency know what was going on, so industry is responding to it. Staff has received no negative comments.

Commissioner Graham called for public comment.

Joe Washack of Big Brothers bingo in King County asked if they played some music on a PA system, before the game or during or after, something like "Muzak" or Mozart, then do they have to get approval first. **Commissioner Graham** said apparently yes.

Director Miller said that's not the intent. That's why the words "live performances." "Recording" had to do with movies. Someone brought that up in the industries. "Live performance" was in there, because it was the entertainment of all the patrons. He doesn't believe it's going to extend to recordings of music. It will be looked at, but that's not the intent.

Commissioner Mosbarger asked if this discussion is because it says "live and recorded" in the first paragraph, and "live" in the rest of the paragraphs. She asked if staff needs to do something to clarify that; either strike the "live" or add the "recordings" so they all are consistent. **Mr. Bishop** said "live" could be deleted from everything but the last sentence on the first paragraph, because that says, "whether live or recorded," which should cover it. **Commissioner Tull** asked about posters. **Commissioner Keefe** said, assuming for a minute that they have a pornographic display of slides, that wouldn't be a live performance. **Commissioner Graham** asked who'd want to see it. **Commissioner Keefe** said the point is, why limit this "live" performances?

Director Miller said it actually says, "For the purpose of this rule, a live performance includes any show, comedy act, skit, play, dance, or similar activities, whether live or recorded." **Commissioner Keefe** asked if that would include, for example, pornographic slides. **Director Miller** said possibly yes. He said it does, whether recorded show or not. He doesn't think it includes, necessarily, music over the PA. **Commissioner Keefe** said it's not a show, it's just a display of slides. **Commissioner Divine** said if it's not pornographic material. **Commissioner Keefe** said the Commission is painting itself in a corner. **Director Miller** said he thinks it's pretty clean the way it is and can adjusted. He said there have been letters received, and there are a lot of supporters that liked it also.

Commissioner Graham said he's opposed to this rule, and for the record, he read from the Nevada rule that took care of this very same thing: "Failure to conduct advertising or public relation activities in accordance with decency, dignity, good taste, honesty, and inoffensiveness shall be grounds for disciplinary action." He said it is simple and means if something out there comes under this, it is brought before the Commission or the director, then the Commission has the right to discipline for that.

Commissioner Keefe asked what power the Commission or the director has for disciplinary sanctions, other than to revoke their license, on this or any rule. **Director Miller** said all he can do is issue a statement of charges and the Commission has to take the action. **Commissioner Keefe** said he thinks it might be adding problems, because under the way the definition is written here, there would then have to be a formal charge, a hearing and the rest of these things that would occur, whereas under the rule as presented, it requires or authorizes the Director, himself, to make a determination as to whether or not the entertainment that's being

proposed is proper or not. **Director Miller** said yes, under this rule. But the commissioners do have a chance to review that. He said he thinks this is getting into potential First Amendment issues. The way it was approached was to try to deal with the primary type entertainment that would occur, and there may be some loopholes. He'd rather have a few loopholes than have a ten page document covering every type of category.

Commissioner Mosbarger said she thinks the Commission has two choices: either develop some rules on what they can do or what they can't do, or ban children from bingo, and I think those are the only two choices we have. **Commissioner Tull** said there's a third one also, and that's to not jump in to this particular issue with the adoption of regulation. **Commissioner Graham** agreed and said this is probably overreacting to a one-time situation. **Commissioner Keefe** asked how the director is going to keep it from happening again; **Director Miller** said this rule prohibits it from happening again.

Commissioner Graham asked Commissioner Keefe how long he's been on the Commission and how many times this has happened. **Commissioner Keefe** there's no way of knowing how many times this has already happened. **Director Miller** said he's been advised that it's happened more than once, and it was scheduled to happen in at least two other places until the rule was in effect.

Commissioner Keefe said that, just because it's never come to their attention doesn't mean it hasn't happened before. It came to the Commission's attention because of the publicity in the news media that there was a minor, a 12-year-old girl, present. He asked why the Commission should put itself in the position of subjecting itself to the criticism by the press and anybody else. He said why should the Commission adopt a standard or a rule that, as the director says, can't substitute common sense. And common sense indicated that the party that put on the particular spectacle there, should have used his common sense. **Commissioner Mosbarger** said the mother should also have used her common sense, and she didn't.

Commissioner Graham asked if there were any public comments or any more comments by the Commission. **Director Miller** said there's one more month for discussion on this.

ITEM 3C BINGO

Ms. Tolton said Item 3C will be addressed by Assistant Director Bishop.

Mr. Bishop said this packet is called the Bingo Simplification Package. The Bingo Study Committee has been looking at a group of subjects for well over a year now. There's a packet of seven rules before the commissioners now, that are at this time, requested to be withdrawn. That would be 3C(5) WAC 230-20-240. Staff wishes to reserve that to go with a complete package regarding manufacturers that will be introduced within the next couple of months.

Mr. Bishop said the remaining six rules have to do with housekeeping things to clean up some of the rules, put in some of the procedures that staff has been operating under and codify them. One rule reduces the net income requirement and also adds a method for enforcing this provision; authorizes the licensees leeway to conduct certain traditional games that have traditionally been allowed, but with certain limitations; and there is a provision that increased the amount that licensees can spend on promotions. All of these things are presented concurrently by the staff and the committee.

Commissioner Graham asked about where it says, "A plan shall be presented, staff, the ability to assess the profitability of the planned game and potential for compliance with ..." He asked if this means the Commission is going to tell these people whether they can get into business or not.

Mr. Bishop said no. This is something that was started at the request of the Commission, in lieu of disapproving leases. All staff does in this process is make them aware or force them into a planning process before they go out and spend \$200,000 to start bingo. The staff doesn't prevent it. It's purely a planning process to review, and they are not prohibited from having a license. Staff might send them a letter saying, "Based on our experience, you may be overestimating your customer base, etc., etc.," but, no, it's not an approval or disapproval.

Director Miller said if, hypothetically, a game comes up and has the highest lease in the state, very little experience and a very difficult environment or location, the staff meets with them and says, "It's going to be very difficult for you to make money." But it's not rejected, because under state law, there can be no limit to the number of licenses like with a liquor license. If they go into a business with a bingo operation, and within a year they've lost close to a quarter of a million dollars, the staff believes it should be looked at and put into a criteria and put it into a rule that they will be assessed and given the Commission's best view, so that in the event there is administrative action taken down the road that says, "You're no longer going to be in business," for example, "because it's causing injury elsewhere," or whatever, the assessment done can be pointed out that gave them the opportunity to evaluate this prior to going into business.

Mr. Bishop said this has been in the rules for over four years. It's been removed as a requirement from WAC 230-20-064, the proviso at the end of that section and moved it to a licensing section and added some clarity to it, but it has been in effect for over four years. **Commissioner Graham** noticed it says here that it has the support of the charitable/nonprofit study group, and asked if that is correct on this rule.

Mr. Bishop said there have been no objections from them. They are present, if the commissioners wish to address it. **Director Miller** said staff has been working on it for about six or eight months with the whole packet. **Mr. Bishop** said WAC 230-08-095, which is 3C(2), is just to clarify. There has always been some misunderstanding regarding generally accepted accounting principles, and this gives basic guidelines. These are not restrictive, but more to say, "here is what would be expected." It does codify to some degree, generally accepted procedures.

Mr. Bishop said 3C(3), WAC 230-20-010 is housekeeping in general, adds clarity to types of disclosures that would be required for bingo players, having to do with the prizes available and the cost of play prior to and advertisements. 3C(4), WAC 230-20-064, is the primary rule for net income and prize payout. Some of the subjects were removed from it to other sections. There was a general, across-the-board reduction in net income requirements for all licensees that took into account inflation since it had been adjusted. Enforcement actions were added that would limit a licensee's license class to the level of compliance that they'd reached pending their getting expenses in the line. Also added were guidelines for addressing violations by bingo managers.

Mr. Bishop said 3C(5), WAC 230-20-240, is requested by staff to be withdrawn at this time. Item 3C(6), WAC 230-20-242, is a new section that removes all of the promotional and special game activities that were previously codified in 20-246. They were moved to this section to help reduce the size of the other rule and to put all of these types of activities in one rule. This rule does, in the very last paragraph, increase the current \$2 per promotional gift to \$3. Item 3C(7) governs conducting bingo, WAC 230-20-246. This rule has grown tremendously over the years. Staff tried to reduce it by trying to pull some of the things out and also added clarity to some.

Commissioner Graham called for additional questions; hearing none, he asked the wish of the Commission on the filing of all the rules as presented, except number C(5); **Commissioner Divine** recommended filing of the rules; **Commissioner Mosbarger** seconded; **Commissioner Graham** called for a vote; carried.

ITEM 3C(8) CARD ROOMS

Ms. Tolton said Item 3C(8) relates to Washington Blackjack and is proposed in conjunction with the Recreational Gaming Association and the card room study group, along with staff. This proposed rule would decrease the player's collection of a natural 21 from twice the amount on the payout to 1.5 times the amount. It also allows a player to deal more than one consecutive shoe before passing the deal, if there are less than five players at the table, and conditions for doubling down shall be set by house rule, provided that the wager may be doubled and the player received only one more card. She said the RGA can help answer questions. **Commissioner Graham** asked if this is pretty standard in other states. **Director Miller** said yes, it is.

Warren Mahr, representing the RGA, introduced himself. He said it's been three years of blackjack at house banked and, for the most part, it has been very successful with no problems. He said the reason for the rule change from two to one-and-a-half is to have more people wishing to deal, to bank the game. This gives more

of a benefit to the player. The consecutive deal is so people won't have to sit if they don't wish to deal, so it increases it by giving more advantages to the dealer by paying one-and-a-half out. Also, people don't have the right to miss a hand if they do wish to sit out.

Mr. Mahr said the other one is on doubling down. There is a rule that if a player doubles down with an ace eight and they get a two, by the way it's written now, it means they have a total of nine. However, if they weren't doubling down and had an ace eight and got a two, they'd have a twenty-one. He said it doesn't make any sense and is not played that way anywhere, and so the RGA wants to correct that and the best way is just to make it a house rule. **Commissioner Graham** asked if there were any more questions; none were heard; he called for the wish of the Commission under 3C(8) Card Rooms; **Commissioner Mosbarger** moved for approval of filing; **Commissioner Divine** seconded; **Commissioner Graham** called for a vote; passed.

UNFINISHED BUSINESS

Ms. Tolton added one more comment regarding Commission meetings. She said there has been a change in location for the November 18-19, 1993, meeting. Instead of the SeaTac Red Lion, it will be held at the SeaTac Radisson.

COMMENTS OF PUBLIC OR PUBLIC OFFICIALS

Commissioner Graham asked if there were any further public comments; none were presented.

FUTURE DISCUSSION TOPICS

Director Miller said that last month he tried to explain the issue with distributors, and he'd like to try again. Executive staff has been working with the distributors but has not been able to come to a completion of this process. Many of them are anxious to finish, and there will be a meeting to get together to finish the issue of pricing and of sales by the distributors.

Director Miller said that, over the years, there's been a rule in place that says distributors must sell at the same price to all people. This has been a point of controversy. What's happened over the years people had sales on Monday at 1:00, Tuesday at 2:00, or whatever to get their customers. It's become rather a cut-throat type of situation out there and is very difficult to regulate, as well as very costly. The priorities staff faces today in all the areas, he said this is one area that does need to be revisited. It seems that the market place does control, for the most part, distribution of this product. There are quite a few distributors out there today.

Director Miller said this process started before when Director Bailey was here, and now staff has finally got some draft proposals that do a number of things: 1) look at setting a bottom floor price so that someone can't come in and sell out of their car and undercut the entire market. Staff is looking at some other functions here, at allowing them to sell at any price they can above that markup so they can get whatever price they can get from anybody. It is somewhat controversial in the fact that the agency has not taken this approach before, but this is going to be coming in the future. He said he's going to try and set up a meeting and to bring them in at 8:00 on a Thursday meeting before the commission meeting to meet with the staff. Then, if any of the commissioners are around, they can sit in and listen to this discussion that needs to be addressed. It takes too much time to do these types of cases and he said he's not sure that's where the agency needs to put its priorities right now.

Director Miller told Susan to set a meeting for Thursday, May 13th, at 8:00 a.m., (before the next Commission meeting) with the distributors in Yakima for those who can attend. Hopefully this will bring this issue to a point of completion, or at least get it to the commissioners' level and to get their input. It's affecting this segment of the pull-tab industry, which is the largest market in the country.

Commissioner Graham said that, if Mr. Miller comes up with a successful answer, the United States government would like to hire him to arrange the same trade with Japan.

Director Miller said that depends on the salary and he doesn't speak Japanese. He said he thinks the Commission needs to pull away from a regulatory standpoint, and focus on ownership again, focus on the continual supply of pull tabs to the industry. Also make sure they have an environment they can survive in. If it's so cut-throat and against the rules, at this point in time, the agency doesn't have the agents available to enforce it, and everybody knows that out there, so the time has come to take it seriously and try to resolve this issue without increasing staff. **Commissioner Graham** asked if there were any questions; none were asked. He called for an Executive Session to begin and adjourned the meeting.

NOTE: THESE PRINTED MINUTES PLUS THE TAPES CONSTITUTE THE FULL MINUTES.

Susan D. Yeager
Executive Secretary